

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 15628
[REDACTED])		
)	DECISION
Petitioners.)	
_____)	

On May 22, 2001, the Tax Discovery Bureau (Bureau) of the Idaho State Tax Commission issued a Notice of Deficiency Determination to [Redacted] (taxpayers) proposing additional individual income tax, penalty, and interest in the amount of \$1,280 for the year ending December 31, 1998.

The taxpayers filed a timely appeal and petition for redetermination. They did not request a conference. The Tax Commission has reviewed the file, is advised of its contents, and hereby issues its decision based thereon.

Idaho Code § 63-3002 provides:

Declaration of intent. It is the intent of the legislature by the adoption of this act, insofar as possible to make the provisions of the Idaho act identical to the provisions of the Federal Internal Revenue Code relating to the measurement of taxable income, to the end that **the taxable income reported each taxable year by a taxpayer to the internal revenue service shall be the identical sum reported to this state, subject only to modifications contained in the Idaho law**; to achieve this result by the application of the various provisions of the Federal Internal Revenue Code relating to the definition of income, exceptions therefrom, deductions (personal and otherwise), accounting methods, taxation of trusts, estates, partnerships and corporations, basis and other pertinent provisions to gross income as defined therein, resulting in an amount called "taxable income" in the Internal Revenue Code, and then to impose the provisions of this act thereon to derive a sum called "Idaho taxable income"; to impose a tax on residents of this state measured by Idaho taxable income wherever derived and on the Idaho taxable income of nonresidents which is the result of activity within or derived from sources within this state. All of the foregoing is subject to modifications in Idaho

law including, without limitation, modifications applicable to unitary groups of corporations, which include corporations incorporated outside the United States. (Emphasis added.)

The intent of the Idaho Legislature is to follow the federal determination subject only to modifications contained in Idaho law. [Redacted]. Because the changes resulted in additional taxable income, the Bureau issued a Notice of Deficiency Determination, which the taxpayers appealed.

The taxpayers' representative wrote a letter of protest stating: "The above named taxpayers did not have any unreported income for the tax period ended 12-31-1998." The representative explained that, in 1998 [Redacted] worked for [Redacted]. as an employee. She said some of the company's clients issued 1099s in [Redacted] name rather than in the name of [Redacted]. She said all fees that were received in 1998 were reported in the corporation's federal income tax return.

Included with the letter of protest was a copy of [Redacted] W-2 issued by [Redacted]., a copy of three different 1099s showing [Redacted] as the recipient of miscellaneous income, a copy of the front page of [Redacted] 1998 federal income tax return, and a signed Power of Attorney form allowing the representative to represent the taxpayers in matters pertaining to the IRS and the taxpayers' federal 1040 form. The form did not include matters pertaining to the corporation or matters before the Tax Commission.

In a letter to the taxpayers dated June 4, 2001, the Bureau acknowledged the taxpayers' protest and explained Idaho income tax law regarding a federal determination of income. The Bureau asked the taxpayers to provide a copy of the final federal determination. Neither the taxpayers nor their representative responded to the request and a second letter was sent to the taxpayers. Again, the Bureau received no response.

[Redacted]. When that report showed no changes to the original transcript showing unreported income, the Bureau transferred the taxpayers' file to the Legal/Tax Policy Division for administrative review. The taxpayers did not respond to a letter from the Legal/Tax Policy Division that outlined their appeal rights.

The Tax Appeals Specialist telephoned the taxpayers' representative to ask for a copy of a Power of Attorney that would grant the Tax Commission permission to work directly with the representative to resolve the questions regarding the taxpayers' taxable income for 1998. One of the two representatives identified in the executed Power of Attorney form said she was no longer in contact with the taxpayers and the accounting firm shown in the form no longer represented the taxpayers. Efforts to contact the taxpayers directly have been unsuccessful.

Pursuant to Idaho Code, the Tax Commission has chosen to follow the federal determination of income subject only to modifications in Idaho law. The federal determination of medical expense deductions was not addressed in the protest letter other than with the statement that the taxpayers did not have unreported income. The representative's explanation of the reporting of the additional income resulting from non-employee compensation was not substantiated by anything the representative provided. Furthermore, the latest IRS report is unchanged from the initial finding of unreported income for 1998.

A Notice of Deficiency Determination issued by the Idaho State Tax Commission is presumed to be accurate. Parsons v. Idaho State Tax Com'n, 110 Idaho 572 (Ct. App. 1986). Having presented no information in support of their argument, the taxpayers have failed to meet their burden of proving error on the part of the deficiency determination. Albertson's, Inc. v. State, Dept. of Revenue, 106 Idaho 810 (1984).

Based upon the information in the file and the applicable law, the Tax Commission finds the Notice of Deficiency Determination is an accurate reflection of the additional income tax due for 1998.

Under Idaho Code § 63-3069, the taxpayers were required to immediately send written notice to the Idaho Tax Commission upon a final determination of a deficiency in their reported federal tax. The taxpayers did not notify the Tax Commission of the final federal determination. The Bureau properly imposed the penalty provided by Idaho law.

WHEREFORE, the Notice of Deficiency Determination dated May 22, 2001, is hereby APPROVED, AFFIRMED, and MADE FINAL.

IT IS ORDERED and THIS DOES ORDER that the taxpayers pay the following tax, penalty, and interest for 1998:

<u>TAX</u>	<u>PENALTY</u>	<u>INTEREST</u>	<u>TOTAL</u>
\$1,045	\$52	\$244	\$1,341

Interest is computed through May 1, 2002.

DEMAND for immediate payment of the foregoing amount is hereby made and given.

An explanation of the taxpayers' right to appeal this decision is enclosed with this decision.

DATED this ____ day of _____, 2002.

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE

I hereby certify that I have on this _____ day of _____, 2002, served a copy of the within and foregoing DECISION by sending the same by United States mail, postage prepaid, in an envelope addressed to:

[Redacted]

ADMINISTRATIVE ASSISTANT 1